



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

OFFICE OF RATE REVIEW

Certificate of Need Program
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May 21, 2015

Via E-mail & USPS

Ms. Kristin Erchinger, Finance Director
City of Seward
PO Box 167
Seward, AK 99664

Mr. Joseph Fong, Administrator
Providence Seward Medical and Care Center
PO Box 365
Seward, AK 99664

Re: Providence Seward Medical & Care Center Request for Determination

Dear Ms. Erchinger and Mr. Fong:

Thank you for your letter dated May 4, 2015 in which Providence Seward Medical and Care Center (PSMCC) formally requesting a determination in accordance with 7 AAC 07.031 as to whether expanding the hospital's existing footprint by adding 3,036 square feet of shelled-in space requires a Certificate of Need (CON).

PSMCC is a six-bed, rural acute care hospital owned by the City of Seward and managed by Providence Health & Services Alaska. The hospital is co-located in the same building with Seward Community Health Center (SCHC). SCHC is a primary care clinic operating as a designated Federally Qualified Health Center (FQHC).

"The City of Seward is pursuing a grant opportunity that would partially fund expansion to the community health center, which is co-located in the same facility. Shelled-in expansion of hospital space in conjunction with the community health center project allows for significant savings in time and financial resources. At a future date, PSMCC plans to apply for a Certificate of Need to develop the shelled-in space and remodel existing space. No alteration of PSMCC's bed capacity or addition of a category of health services is planned as a part of this project."

The proposed project will expand the existing building by 6,128 square feet and the total cost is estimated to be \$4,019,015. PSMCC's portion of the current project will be 3,036 SF of

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shelled-in space only. This cost is estimated to be \$1,366,329. The remaining cost of the project will be covered by SCHC. (SCHC is not subject to the Certificate of Need process as it is a designated Federally Qualified Health Center.)

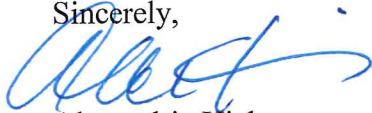
	<u>PSMCC</u>		<u>SCHC</u>
Core and Shell Expansion	\$ 891,840	\$	909,816
Site Work	58,650		59,838
Interior Tenant Improvement	0		875,692
FF & E	0		0
Architect and Design Fee	142,574		276,802
Project Management	47,525		92,267
Administrative Expense	47,525		92,267
Contingency	<u>178,217</u>		<u>346,002</u>
TOTAL	\$ 1,366,331	\$	2,652,684

The construction is planned to begin in October of 2015 and the estimated completion date of the project is August 31, 2018. At a later date, as of yet undetermined, PSMCC plans on applying for a Certificate of Need to complete their portion of the development of the shelled-in expansion and renovation of the existing building.

PSMCC's proposed project to expand the hospital's footprint by adding 3,036 additional space, which has a proper cost estimate of \$1,366,331, is below the \$1.5 million statutory threshold per AS 18.07.031. Since the project is below the CON statutory threshold, the applicable portion of the joint PSMCC and SCHC proposed project does not require a CON. However, any shelled-in space developed by PSMCC in the future, regardless of time elapsed between the current phase of development and the next phase, will be subject to Certificate of Need review.

If you are dissatisfied with this determination, you may request reconsideration under 7 AAC 07.033. A request for reconsideration must be postmarked no later than 30 days after publication of the public notice. If you wish to revise your request for determination, or apply for a CON, please notify the CON Program immediately.

Sincerely,



Alexandria Hicks
CON Program Coordinator